

**CALIFORNIA ENERGY COMMISSION**

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Sacramento, California 95814

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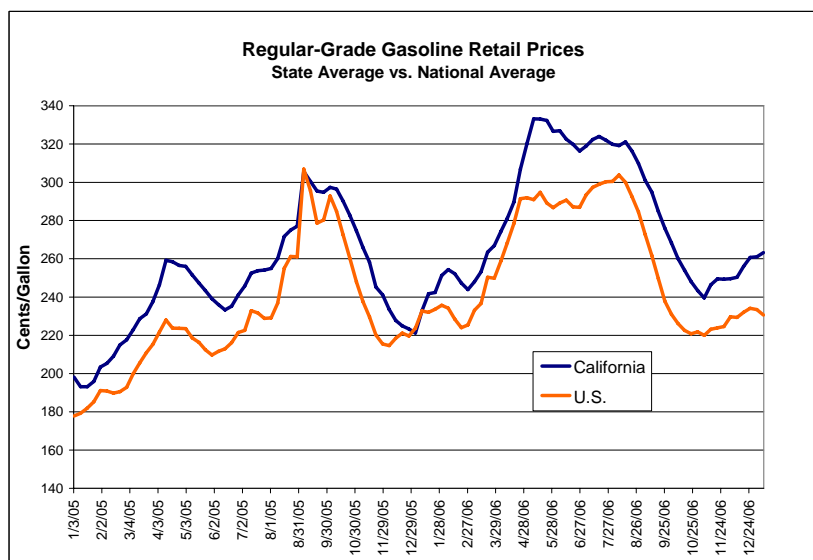
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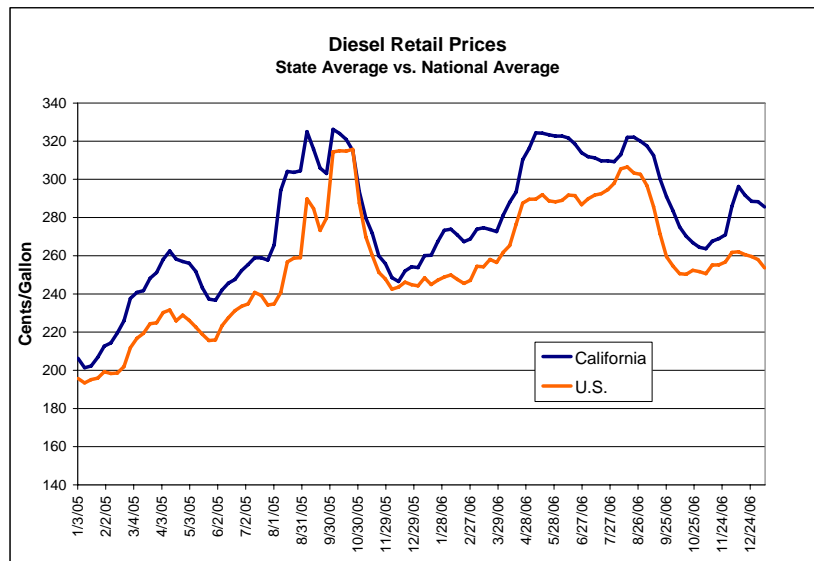
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**Petroleum Watch****January 12, 2007*****Retail Gasoline and Diesel Prices on January 8***

- The average California **retail price for regular-grade gasoline** has gradually risen since the last Petroleum Watch, increasing 13 cents to \$2.63 per gallon since December 8, and is 2 cents higher than last week. While 70 cents less than the record high of \$3.33 on May 8, 2006, the gasoline price is still 30 cents more than the \$2.33 per gallon reported at this time last year.<sup>1</sup>
- The difference between California and U.S. retail gasoline prices increased to 33 cents per gallon, 13 cents more than on December 4. U.S. prices rose to \$2.31 per gallon, 1 cent more than on December 4 and 2 cents less than the 2.33 cents per gallon observed at this time last year.



- After recently peaking at \$2.96 per gallon on December 11, the average California **retail diesel price** fell back to \$2.86, unchanged from December 4. Since December 4, the U.S. retail diesel price has dropped 8 cents to \$2.54 per gallon, increasing the difference between California and U.S. prices to 32 cents per gallon.

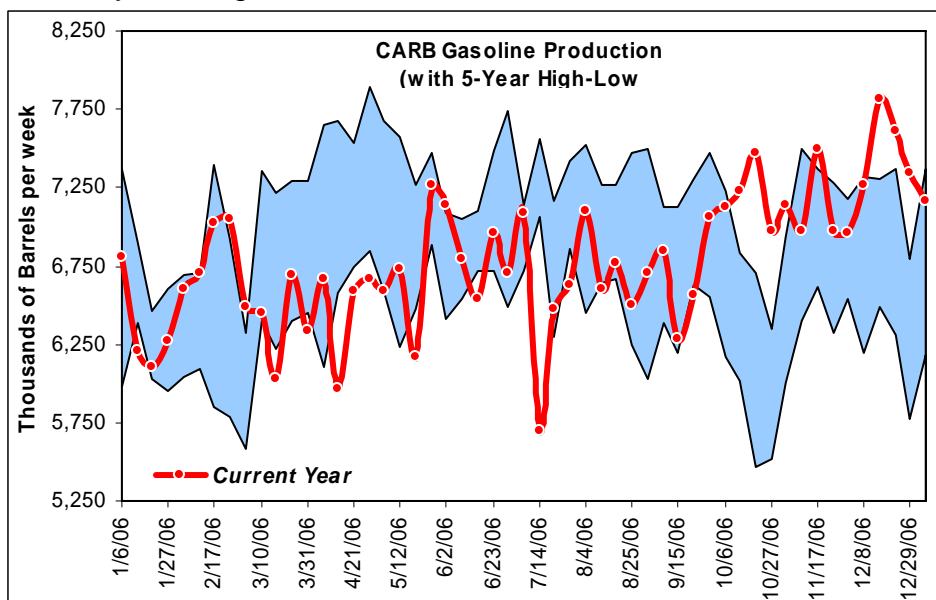


### **Wholesale Gasoline and Diesel Prices on January 9**

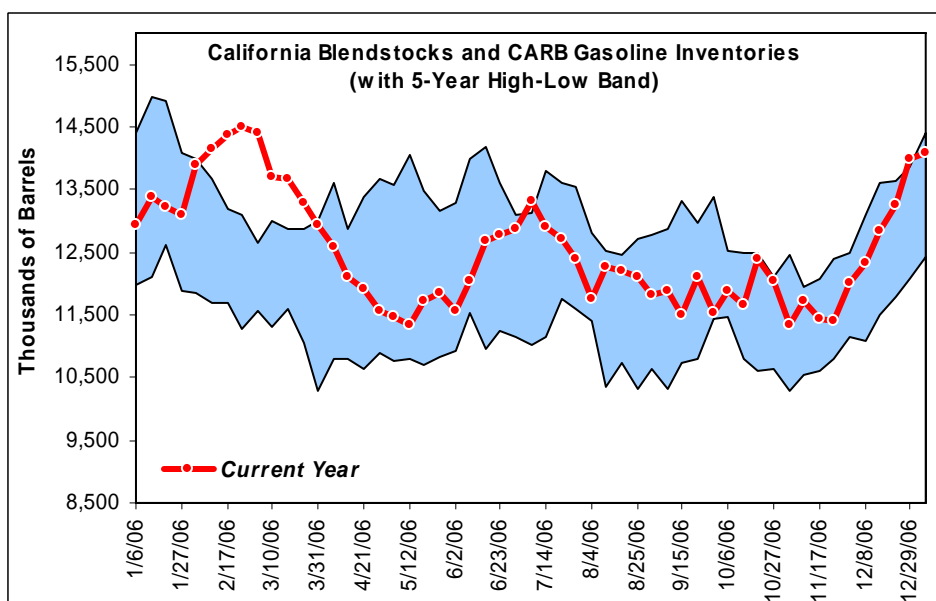
- After spiking to 1.86 per gallon last week, California spot **wholesale gasoline prices** for regular-grade reformulated blendstock for oxygenate blending (RBOB) ended up declining to \$1.72, 5 cents less than on December 5. Prices are 11 cents per gallon less than the same day last year.
- The warmer weather on the East Coast has decreased demand for oil, which is depressing crude oil prices, increasing product inventory levels, and exerting downward pressure on wholesale fuel prices.
- Spot prices for RBOB in Los Angeles are 26 cents higher than New York Harbor and 29 cents more than the Gulf Coast, up from 12 cents and 18 cents, respectively, on December 5.
- After recently peaking at \$2.16 per gallon on December 8, California spot **wholesale ultra low-sulfur diesel prices** decreased 32 cents to \$1.84. Prices are 2 cents per gallon more than the same day last year.
- California wholesale ultra low-sulfur diesel prices are 19 cents per gallon more than New York Harbor and 23 cents more than the Gulf Coast, compared to 26 cents and 32 cents more, respectively, on December 5.
- California gasoline ended the reporting week at 12 cents less than California diesel, compared to 38 cents less on December 5, reflecting the sharp fall in diesel prices.
- The Energy Information Administration (EIA) weekly assessment for January 5 reports that **U.S. gasoline demand** decreased 0.5 percent from the previous week and 2.9 percent from December 1, while distillate demand decreased 4.1 and 6.9 percent, respectively. The four-week average demand for gasoline is 9.29 million barrels per day, 0.8 percent more than last year's four-week average. The four-week average for U.S. distillate demand is 4.20 million barrels per day, 2.1 percent less than last year.

## Refinery Production and Inventories

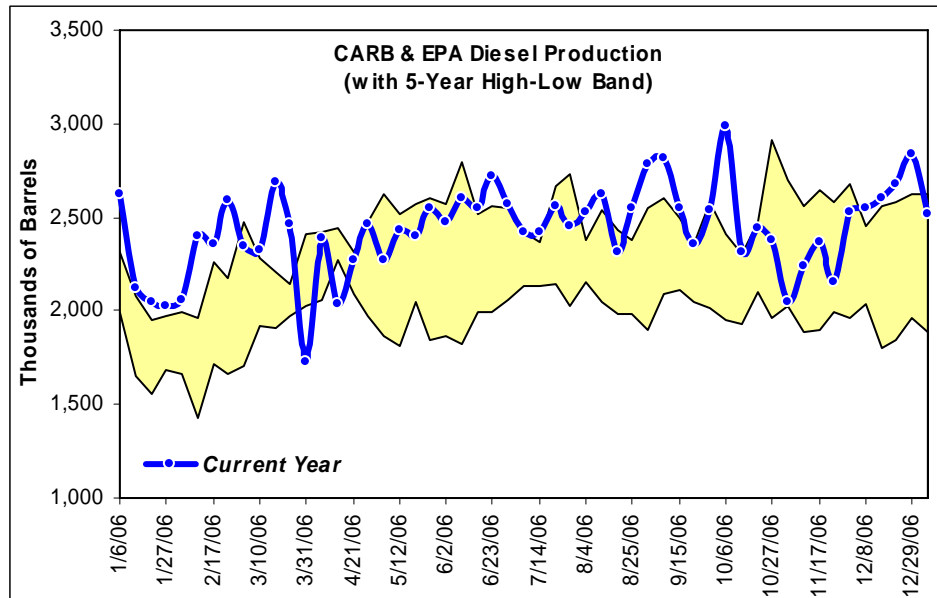
- **Reformulated gasoline production** in California for the week ending January 5 decreased 2.4 percent from the previous week to 7.16 million barrels. After spending three weeks well above the five-year spread, production levels fell back to the upper end of the five-year range.<sup>ii</sup>



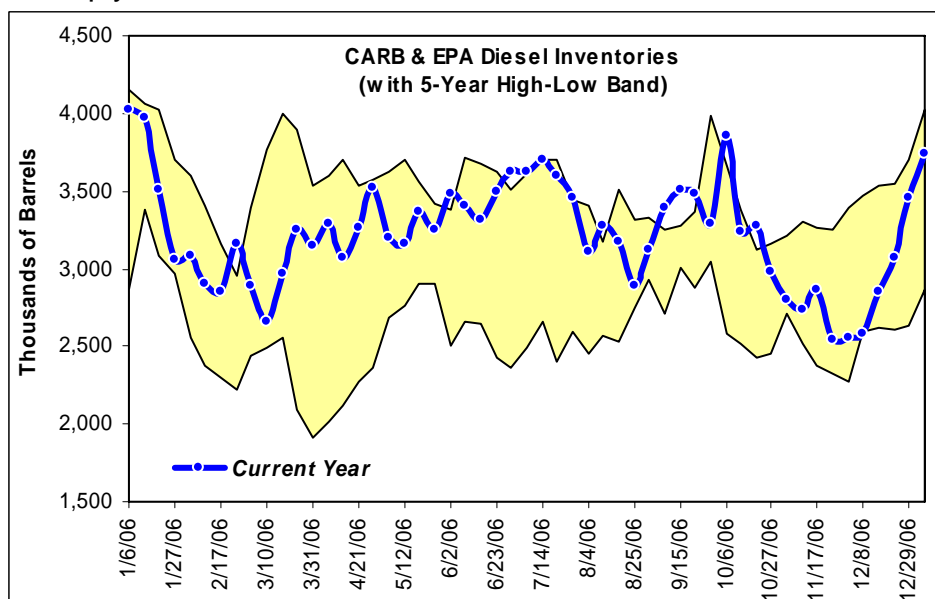
- California reformulated gasoline inventories increased by 4.3 percent, and gasoline blendstock inventories fell by 2.6 percent during the last week. As a result, **combined inventories** of reformulated gasoline and gasoline blendstocks in the state **increased by 0.7 percent** to 14.08 million barrels, remaining at the upper end of the five-year range and 23.3 percent higher than November 24, 2006 levels.



- U.S. gasoline inventories increased 3.8 million barrels to 213.3 million barrels as of January 5. Inventories increased across all regions in the United States, including a build of about 900,000 barrels on the West Coast.
- California **ultra low-sulfur diesel production** during the week ending January 5, including both California diesel and U.S. Environmental Protection Agency (EPA) diesel, dropped by 11.5 percent from the previous week to 2.51 million barrels, falling back into the upper end of the five-year range and 4.1 percent less than a year ago.

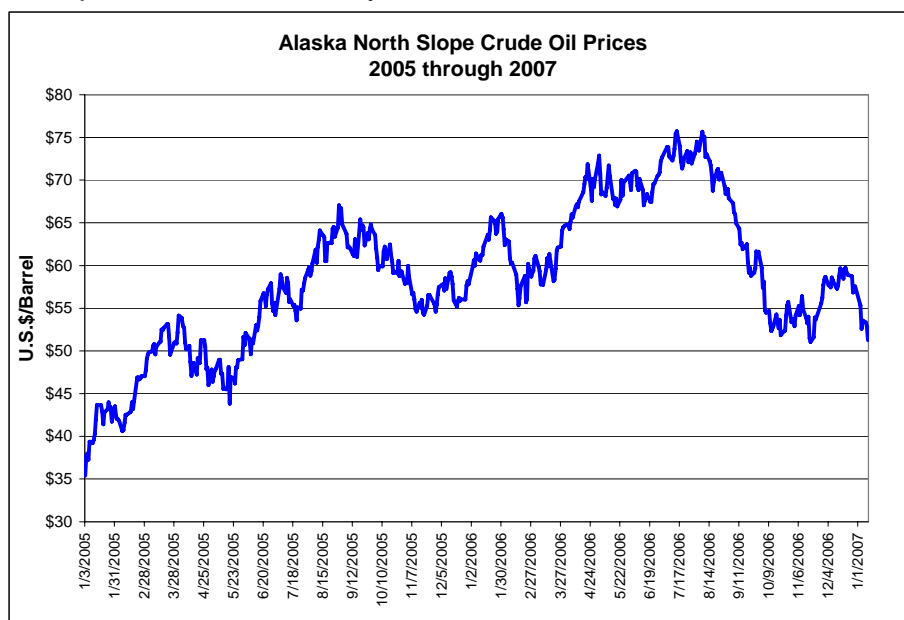


- Combined **ultra low-sulfur diesel inventories** in California increased by 8.3 percent from the previous week to 3.74 million barrels and remain near the top of the five-year range. Stocks are 46 percent higher than December 4, 2006. Total U.S. distillate inventories as of January 5 rose sharply to 141 million barrels, 5.4 million barrels more than the previous week. Inventories increased in all regions but were up most sharply on the East Coast.



## Crude Oil Prices and Inventories

- West Coast prices for Alaska North Slope (ANS) crude oil, an important refinery feedstock for California, rose from \$57.44 per barrel on December 6, 2006, to a recent peak of \$59.72 on December 20 following a series of militant attacks on oil facilities in Nigeria, the outage of a coker unit producing syncrude in Alberta, lower output from the North Sea and from the Terra Nova field off eastern Canada, and OPEC agreement on December 14 to cut production another 500,000 barrels per day.
- Despite the passage of a sanctions resolution on December 24 by the U.N. Security Council against Iran for its nuclear energy program, prices since December 20 have steadily decreased with unseasonably warm weather persisting over the Northeast and Midwest, as well as over much of Europe. As a result, distillate inventories have built up over several weeks, and petroleum prices have declined. The cut-off of Russian crude oil exported by pipeline to Europe through Belarus due to an energy dispute between the two countries and the shut down of the Alaska pipeline due to leaks were both quickly resolved and did not halt the decline in prices. ANS prices fell to \$51.27 per barrel on January 10.<sup>iii</sup>



- U.S. commercial crude oil inventories as of January 5 fell by 5 million barrels to 314.7 million barrels. Crude oil stocks are 4 million barrels less than last year but 21.4 million barrels higher than the five-year average. California crude oil stocks grew 0.7 percent from the previous week to 11.64 million barrels, but are 18.9 percent less than last year.

<sup>i</sup> Spot wholesale and retail gasoline and diesel prices and U.S. crude oil and product inventory estimates are from the Energy Information Administration of the U.S. Department of Energy.

<sup>ii</sup> California refinery production and inventory information is from the Petroleum Industry Information Reporting Act (PIIRA) database maintained by the California Energy Commission.

<sup>iii</sup> ANS crude oil prices are from *The Wall Street Journal*.